

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5090-04  
Bill No.: Perfected SS for SB 943  
Subject: Education, Elementary and Secondary; General Assembly; Elementary and Secondary Education Department  
Type: Original  
Date: April 14, 2010

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Bill Summary: This proposal modifies the elementary and secondary education funding formula.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
State School Monies Fund	(Unknown)	(Unknown)	(Unknown)
Career Ladder	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

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## **FISCAL ANALYSIS**

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### **ASSUMPTION**

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Elementary and Secondary Education** provided the following response regarding fiscal impact of the proposed legislation:

*§168.500 & 168.515 - CAREER LADDER:* Subject to appropriation; the cost or savings is dependent on the appropriation; the change in the state match may reduce the state cost from the FY10 appropriation but that cost is unknown at this time.

*§163.031- FOUNDATION FORMULA:* Cost or savings is dependent on the appropriation; the bill contains guidance for managing the appropriation.

*§163.500 - JOINT COMMITTEE STUDY OF EDUCATION FUNDING:*

Officials from the **Joint Committee on Education** state there will be no additional costs to their agency.

Officials from the **Missouri Senate** state this proposed legislation will either have no fiscal impact as it relates to their agency or minimal costs which can be absorbed by present appropriations.

Officials from the **Missouri House of Representatives** state this proposal will have no fiscal impact on their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2011	FY 2012	FY 2013
<b>GENERAL REVENUE</b>			
<u>Savings</u> - Department of Elementary and Secondary Education (DESE) - Reduction in state aid for foundation formula (§163.031)	Unknown	Unknown	Unknown
<u>Savings</u> - DESE - Reduction in funding for Summer School (§163.036)	Unknown	Unknown	Unknown
<u>Savings</u> - DESE - Reduction in funding for Career Ladder Program (§163.031, 168.500 & 168.515)	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<u><b>Unknown</b></u>	<u><b>Unknown</b></u>	<u><b>Unknown</b></u>
<b>STATE SCHOOL MONIES FUND</b>			
<u>Loss</u> - Reduction in State Aid through foundation formula (§163.031)	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> - Summer School - Reduction in State Aid (§163.036)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON STATE SCHOOL MONIES FUND</b>	<u><b>(Unknown)</b></u>	<u><b>(Unknown)</b></u>	<u><b>(Unknown)</b></u>
<b>CAREER LADDER</b>			
<u>Savings</u> - Reduction in Funding (§163.031, 168.500 & 168.515)	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON CAREER LADDER</b>	<u><b>Unknown</b></u>	<u><b>Unknown</b></u>	<u><b>Unknown</b></u>

<u>FISCAL IMPACT - Local Government</u>	FY 2011	FY 2012	FY 2013
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**LOCAL POLITICAL SUBDIVISIONS**

Loss - Local School Districts

Reduction in State Aid through foundation formula (§163.031)	(Unknown)	(Unknown)	(Unknown)
Reduction in State Aid for Summer School (§163.036)	(Unknown)	(Unknown)	(Unknown)
Reduction in State Aid for Career Ladder (§163.031, 168.500 & 168;515)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposed legislation modifies the elementary and secondary education funding formula.

§163.031- FOUNDATION FORMULA MODIFICATIONS: The phase-in of the SB 287 formula will be extended through the 2016-2017 school year. The phase-in percentages for the new and old formulas are modified, as described in the act. This proposal contains allowances for the distribution of state aid depending on the amount of available appropriations, as described below.

This proposed legislation allows the General Assembly to appropriate more funds than required by the phase-in percentages for any particular school year. In such a situation, the Department of Elementary and Secondary Education (DESE) is required to adjust the phase-in percentages to accommodate appropriations in order to distribute one hundred percent of the total amount of appropriated funds. In addition, during the phase-in, if the foundation formula appropriation is equal to or greater than the state aid expenditure for fiscal year 2010 but is insufficient to fully fund the applicable phase-in percentages for the formula during that school year, DESE must adjust the phase-in percentages to accommodate the total amount of available appropriations. The phase-in percentages must equal one hundred and the total amount of appropriated funds must be distributed.

FISCAL DESCRIPTION (continued)

In any school year in which the foundation formula appropriation is less than the fiscal year 2010 actual state aid expenditure, DESE must reduce the state aid payment by ten percent to any hold harmless district that has a local effort figure greater than its total formula entitlement calculation.

In addition, in any school year in which the foundation formula appropriation is less than the fiscal year 2010 actual state aid expenditure, DESE must reduce the payment amounts awarded to all school districts, including hold harmless districts. DESE must calculate a uniform proportional reduction percentage based on all available state aid to be applied to the payment amount to which all districts would otherwise be entitled under the applicable phase-in percentages. This calculation will occur after DESE has already reduced payments to any hold harmless district that has a local effort figure greater than its total formula entitlement calculation.

§163.031 - SUMMER SCHOOL: Language pertaining to the summer school penalty, which terminated at the end of the 2008-2009 school year, is repealed.

§163.036 -SUMMER SCHOOL: Beginning in the 2010-2011 school year, summer school attendance that can be included in a district's average daily attendance will only include attendance hours of students exclusively in academic areas of study. Curriculum must be based on core subject areas of the regular instruction program for relevant grade levels. Each school district must verify to DESE that its summer school program conforms to these requirements. School districts may offer a summer school program that offers non-academic or enrichment activities at their own expense.

§163.500 - JOINT COMMITTEE ON EDUCATION STUDY: The Joint Committee on Education must conduct a study on the issue of the timing and delivery of state funding for elementary and secondary education to school districts. The study must be conducted during the legislative interim with a final report, with any recommendations for legislative action, to be submitted to the General Assembly by December 31, 2010.

§168.500 & 168.515 - CAREER LADDER: This portion of the proposal modifies the Career Ladder program. The proposal act removes the requirement that the General Assembly make an annual appropriation. Beginning in fiscal year 2012, Career Ladder payments will only be made available to local school districts if an appropriation is made. Any state appropriation must be made prospectively in relation to the year in which work under the program is performed. Nothing in this proposed legislation shall be construed to prohibit a local school district from funding the program for its teachers for work performed in years for which no state appropriation

FISCAL DESCRIPTION (continued)

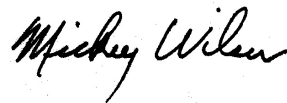
is made available.

In addition, this proposal removes the variable match portion of Career Ladder. Instead, Career Ladder will be funded by sixty percent local funding and forty percent state funding. The three groups of school districts with variable funding rates are eliminated.

This proposal contains an emergency clause on §163.031, 163.036, 168.500 and 168.515 to be effective on July 1, 2010 or upon the signature of the Governor, whichever occurs later.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Joint Committee on Education  
Missouri House of Representatives  
Missouri Senate  
Office of Secretary of State  
Administrative Rules Division



Mickey Wilson, CPA  
Director  
April 14, 2010